

TOP SECRET

SECRET

CONFIDENTIAL

UNCLASSIFIED

CIA OPERATIONS CENTER

 11220617700 Z

NEWS ANALYSIS SERVICE

Date. 23 Aug 77

Item No. 9

Ref. No.

DISTRIBUTION I

WASHINGTON - The explosion of an atomic bomb by the Chinese Communists in 1964 triggered a secret re-examination of U.S. nuclear policies that exposed a serious "credibility gap" in the way the nation kept track of bomb-grade nuclear materials in the hands of private companies.

The "gap," as described in a series of documents released Monday by the Energy Research and Development Administration, was that there was "no method" to detect a U.S. company which shipped more than a contracted amount of nuclear material out of the country in "collusion with a foreign customer."

The Chinese explosion, named "Chicom I" in the ERDA documents, led to a re-evaluation of U.S. practices which relied heavily on the honesty of U.S. companies and the feeling that since highly enriched uranium was worth \$10 a gram, the losses would be minimal.

One year later, a U.S. company with close ties to two foreign governments reported that it had "lost" enough uranium to make at least 10 nuclear weapons. At that point, the Central Intelligence Agency, the Federal Bureau of Investigation and ERDA's predecessor, the Atomic Energy Commission, launched investigations to see whether the "gap" had been used. The question has never been completely answered.

According to the memos, which were released following requests by The Washington Star and by several other news agencies, the REC investigators had suspected since 1960 that there were serious losses of highly enriched uranium that was being processed at a company called the Nuclear Materials and Equipment Corp. (NUMEC) at Apollo, Pa., located 30 miles northeast of Pittsburgh.

However, according to memos from the files of Howard C. Brown Jr., then the REC assistant general manager, the agency did not begin to press NUMEC about its losses until one year after the Chinese explosion.